

### CONSOLIDATED RESULTS

The turnover and net profit of the Group for the year were HK\$1,685 million (2003: HK\$1,448 million) and HK\$14 million (2003: loss of HK\$205 million, as restated), respectively.

In May 2003, Hon Kwok Land Investment Company, Limited ("Hon Kwok") was converted from an associate into a subsidiary through the Company underwriting the un-subscribed rights shares of Hon Kwok. The inclusion of Hon Kwok's turnover into the consolidated results accounted mainly for the increase in turnover in the year.

The property market has been significantly turned around in the fourth quarter of last year. Hon Kwok's current year results have been benefited from write back of property provisions rather than charge of property provisions in last year. As a result, the Group reported an overall profit in the year.

### DIVIDEND

The Directors recommend the payment of a final dividend of 2 cents per share for the year ended 31st March, 2004 (2003: 2 cents) to shareholders whose names appear on the Company's register of members on 8th September, 2004. It is expected that the dividend cheques will be despatched to shareholders on or before 17th September, 2004.

### CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 3rd September, 2004 to 8th September, 2004 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:30 p.m. on 2nd September, 2004.

### REVIEW OF OPERATIONS

#### Property

As disclosed in last year's annual report, the Company increased its shareholding in Hon Kwok from 47% to 69% through underwriting the Hon Kwok rights issue in May 2003. Negative goodwill arose as a result of the Company acquiring the Hon Kwok shares at a price below its fair asset value.



City Square, the residential/commercial project under development in Shenzhen, the PRC

The negative goodwill, being credited to the profit and loss account in the year, amounted to HK\$59 million (2003: Nil).

On 25th February, 2004, the Company entered into a top-up placing arrangement to facilitate the placement of 66,700,000 Hon Kwok shares to independent investors at a price of HK\$1.65 each. The placement raised net cash proceeds of HK\$107 million to Hon Kwok for general working capital purpose. As a result of the top-up placement, the Company's shareholding in Hon Kwok was diluted from 69% to 58%. The corresponding decrease in the Company's share of the net assets of Hon Kwok after the top-up placement was recorded as a loss of HK\$56 million on deemed disposal of partial interests in a subsidiary.

The property market experienced a significant rebound in the fourth quarter of last year, as the local economy improves under the measures from the Central Government. Hon Kwok reported turnover of HK\$331 million (2003: HK\$474 million) and a net profit of HK\$134 million in the year (2003: net loss of HK\$479 million, as restated). The reversal to profitability was mainly due to write back of property provisions and holding gains from properties acquired in the past two years. I refer interested readers to Hon Kwok's annual report for further details.

### Construction

The construction industry remained difficult during the year under review. With few jobs available in a depressed property market, turnover of our foundation business dropped to HK\$387 million (2003: HK\$500 million). Net profit for the year was HK\$22 million (2003: HK\$26 million), achieved mainly through effective cost control. To combat the difficult operating environment, our building construction business has streamlined its organisation structure, focusing mainly on government maintenance jobs. Turnover maintained at HK\$345 million (2003: HK\$375 million) with a break-even result as last year.



Bored piling works for Enterprise Square 5 at New Kowloon Inland Lot No. 5927, Kowloon Bay, Kowloon

### Garment

The garment division suffered a very difficult year. The SARS epidemic hampered executive overseas travel necessary to secure orders for production. The overall turnover of our garment group was HK\$633 million (2003: HK\$571 million) and the net loss was HK\$96 million (2003: net profit of HK\$20 million).

The substantive loss was mainly due to our factory operation in Indonesia, which had many factory closures due to harsh labour regulations and the strong Indonesian currency. Our main factory had downsized from 2,600 workers at the peak to currently 900 workers, which necessitated a significant portion of customer orders being subcontracted out. The production delay and poor quality control by our subcontractors had resulted in material wastage, airfreight charges and order cancellations unseen in past years. The Board has taken action to reorganise the entire Indonesian management team and to divest its production in Jakarta to two smaller factories in the rural areas of Sukabumi where workers with lower wages are available. The relocation of our main production facilities incurred substantial expenses and redundancy payments, all of which contributed to the overall loss. At the time of writing, it appeared that the situation has been under control by the new management team and there are reasonable assurances that such substantive loss will not be recurring in the coming year.

The Group's garment operations elsewhere remained profitable during the year.



Superstructure works of Lai King Catholic Secondary School at Lai King Estate, Kwai Chung, New Territories



Plastic resin distributed by Chinney Alliance

### Trading

Chinney Alliance Group Limited ("Chinney Alliance"), the Group's associate engaged in the trading of plastics, chemicals and industrial products continued to improve its performance during the year ended 31st December, 2003. As propelled by the growth of our plastic and chemical sales, Chinney Alliance reported turnover of HK\$853 million (2003: HK\$828 million) and a break-even operating result. The reported loss of HK\$28 million (2003: HK\$59 million, as restated) was largely attributable to equity accounting the

losses of associates for HK\$5.5 million and non-cash provisions totalled HK\$25 million for assets impairment.

### **BUSINESS OVERVIEW**

The global economy continued its pace of recovery. The Dow Jones and Nasdaq are currently trading around 10,400 and 2,000 respectively when compared with 9,200 and 1,750 at my last annual report of 15th July, 2003. The Federal Reserve Board of United States has ended its long low interest rate period by announcing a 25 basis points rate increase which was not followed by the banks in Hong Kong. However, the general consensus is the Federal Reserve will unlikely be aggressive towards interest rate hikes while inflation is low and the economy is still recovering.

On the local front, the economy continues to improve under the supportive measures from the Central Government. Annual GDP growth has been revised to 6% in recent months and deflation was reduced to 0.1%. Unemployment rate has also been declined from last year's 8.6% to the current level of 7%. The property market has been significantly rebound as sentiment improved. All these are positive indicators that the economy is recovering and the turn-around should be sustainable as Hong Kong gets more integrated with the Mainland economy, which remains buoyant and provides tremendous business opportunities.

With the initiative from the Central Government to provide greater involvement of Hong Kong companies in the infrastructure development of the Pan Pearl River Delta, your Group will actively seek for business opportunities in the Mainland based upon available human resources and expertise. The Board expects that the local and global economy will continue to improve, which should portray a favorable environment for better performance by our group companies in the coming year.

### **BOARD CHANGES**

There have been several changes to the composition of the board of directors of the Company. Mr. Roderick Sue-Cheun Wong and Mr. Frankie Yick-Cheung Lee resigned as directors of the Company on 14th January, 2004 and 6th February, 2004 whilst Mr. Johnny Chung-Ah Wong and Mr. Peter Man-Kong Wong have been appointed as independent non-executive directors of the Company with effect from 3rd October, 2003 and 27th March, 2004 respectively.

On behalf of the Board, I would like to record my heartfelt thanks to Mr. Roderick Sue-Cheun Wong and Mr. Frankie Yick-Cheung Lee for their contribution to the Company during their tenure of service. At the same time, I would like to extend my warmest welcome to Mr. Johnny Chung-Ah Wong and Mr. Peter Man-Kong Wong to the Board.

Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their effort and contribution in the past year.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 13th July, 2004